



# **Nebraska Sales and Use Tax**

## **Nonprofit Organization 2016**

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# **Overview of Sales and Use Tax**

## Sales tax is...

- ... a transactional tax,
- ... based on the transaction, rather than the item sold.

## A sale is...

- ... the transfer of title or possession of an item, or
- ... providing a service,
- ... for consideration.

For more information, see our guide [Nebraska and Local Sales Tax](#) or [Reg-0-001 - Nature of Sales Tax](#).

# **A lease or rental of tangible personal property...**

...is a sale,

...a lease or rental is a transfer of control or possession of the property.

Sales tax is due on each lease or rental payment.

For more information, see [Reg-1-018 - Rent or Lease of Tangible Personal Property](#).

## All sellers...

...are the consumers of anything they use to sell their items and services; and

...must pay tax on them.

Example 1: Cash registers

Example 2: Security services



# Taxable Services

- Animal specialty services
- Building cleaning
- Computer software training
- Detective services
- Installing/applying tangible personal property
- Motor vehicle towing, washing/waxing, painting
- Pest control services
- Recreational vehicle (RV) park services
- Security services
- Repair labor (with 5 exceptions)

For a more complete list of taxable and nontaxable services, see the [Nebraska and Local Sales Tax Information Guide](#) on our website.

## All service providers...

- ...are the consumers of the taxable items and services used to provide the service; and
- ...must pay tax on those items or services (even if the charge for the service is also taxable).

Example 1: The carwash does not sell soap and wax, but a “car wash.”

Example 2: A window cleaner is not selling window cleaning solution, but “clean windows.”

# What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax –
  - Sales tax is collected and remitted by the seller.
  - Use tax is paid directly to the Department by the purchaser/consumer.

# Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
  - Where delivery occurs or
  - Where first usage in Nebraska takes place.

# When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
  - Internet, catalog, mail order
  - Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
  - Auto mechanic
  - Hair salon

Note: Be sure to maintain good records!

# **The IRC § 501(c) Exemption**

# IRC § 501(c) Exemption

- Internal Revenue Code (IRC) § 501(c) provides for a federal income tax exemption.
- An organization with IRC § 501(c) status is also exempt from Nebraska income tax.

Organizations with unrelated business income should refer to [revenue.nebraska.gov](http://revenue.nebraska.gov).

## **IRC § 501(c) Exemption**

- IRC § 501(c) status does not exempt a nonprofit organization (nonprofit) from Nebraska sales or use taxes!
- Nebraska allows certain types of entities to obtain a sales and use tax exemption number.



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# **Nonprofits that are Exempt from Sales and Use Tax**

# Nonprofits that are Exempt from Sales and Use Tax

- A qualifying nonprofit must apply for an exemption number by filing a [Form 4](#).
- Once assigned an exemption number, the nonprofit may make purchases of taxable items for its own use without paying sales or use taxes.

# **Nonprofits that are Exempt from Sales and Use Tax Religious Organizations**

The Department may examine applications from religious organizations for certain criteria. No single criterion is used when making a determination of tax exempt status.

Criteria:

- A distinct legal existence;
- A recognized creed and form of worship;
- Regular religious services;
- Established places of worship; and
- A formal code of doctrine.

For more information,  
see [Reg-1-091](#), Religious Organizations.

# **Nonprofits that are Exempt from Sales and Use Tax Educational Institutions**

Only the institution issued the Exempt Organization Certificate of Exemption may make sales tax exempt purchases on items to be used by and for the purposes of the institution.

- Educational services units
- Nonprofit or private colleges and universities (primary campuses must be located in Nebraska)
- Private educational institutions
- Public school districts
- Technical community colleges
- Schools for the deaf
- Schools for the visually impaired
- State college systems
- Universities

Plus, Nonprofit Service Providers for the  
Blind and Visually Impaired

For more information, see [Reg-1-092](#), Educational Institutions.

# Nonprofits that are Exempt from Sales and Use Tax

## NE licensed healthcare nonprofits    Other NE licensed nonprofits

- Assisted living facilities
- Health clinics owned by a hospital
- Home health care services
- Hospice services
- Hospitals
- Intermediate care facilities for the mentally retarded
- Mental health centers (eff. 10/1/12)
- Nursing facilities
- Respite care services
- Skilled nursing facilities

- Child care agencies providing 24-hour daily care, Neb. Rev. Stat. §§ [71-1901](#) through [71-1904](#) (does not include day care providers)
- Child-placing agencies

## NE certified nonprofits

- Organizations certified by DHHS to provide community-based services to developmentally disabled persons

A nonprofit organization operating any of these facilities is only sales tax exempt on purchases of items for use at the facility or portion of the facility which is covered by the NE license.

For more information, see [Reg-1-090](#), Nonprofit Organizations.

# Nonprofits that are Exempt from Sales and Use Tax

For nonprofit organizations that must be licensed or certified to be exempt:

- Construction of new facilities is not exempt until project completion, appropriate licenses are obtained, and an exemption number has been issued by the Department.
- No sales tax exemption is allowed until the facility is licensed
- Dual-use facilities (for example, assisted living and independent living facilities) are sales tax exempt only for the exempt portion.


For specific tax questions about any of the nonprofit organizations on the previous slide, please contact Karen Barrett, Revenue Tax Specialist 402-471-5980, [karen.barrett@nebraska.gov](mailto:karen.barrett@nebraska.gov)

# Nonprofits Making Tax Exempt Purchases

When making tax exempt purchases, the qualified nonprofit must give the seller a Nebraska Resale or Exempt Sale Certificate, [Form 13](#), Section B.

Refer to the  
[Nebraska Taxation of Nonprofit Organizations information guide](#)  
for additional information.

# Form 13, Section B (continued)

		<b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption		<b>Form 13</b>	
Name and Mailing Address of Purchaser			Name and Mailing Address of Seller		
Name			Name		
Legal Name					
Street Address (Do not use PO Box)			Street or Other Mailing Address		
City		State	City		State
		Zip Code			Zip Code
Check Type of Certificate <input type="checkbox"/> Single Purchase    If single purchase is checked, enter the related invoice or purchase order number <input type="text"/> . <input type="checkbox"/> Blanket    If blanket is checked, this certificate is valid until revoked in writing by the purchaser.					
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: <b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A.) <input type="checkbox"/> Exempt Purchase (Complete Section B.) <input type="checkbox"/> Contractor (Complete Section C.)					

## Section B—Nebraska Exempt Sale Certificate

The basis for this exemption is exemption category  (insert appropriate number for the category of exemption described on the reverse side).

If exemption category 2 or 5 is claimed, enter the following information:

Description of Items Purchased	Intended Use of Items Purchased
<input type="text"/>	<input type="text"/>

If exemption category 3 or 4 is claimed, enter your Nebraska Exemption Certificate number. 05-  
 Do not enter your Federal Employer ID Number.

If exemption category 6 is claimed, the seller must enter the following information and sign this form below:

Description of Items Sold	Date of Seller's Original Purchase	Was tax paid when purchased by seller?	Was item depreciable?
<input type="text"/>	<input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

For more detailed information, refer to the [Form 13 instructions](#).



# Exempt from Sales and Use Tax (continued)



## Exemption Permit Application For Use of Credit or Debit Cards by Sales Tax Exempt Entities

FORM  
**13CCE**

Nebraska ID Number (if applicable)

NAME AND LOCATION ADDRESS			NAME AND MAILING ADDRESS		
Name			Name		
Legal Name					
Street Address			Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code

### CREDIT OR DEBIT CARD INFORMATION

1 Name and address of bank issuing the credit or debit card.

\_\_\_\_\_

\_\_\_\_\_

2 Last four digits of the card. (If the exempt governmental entity or exempt organization has more than one credit or debit card account, a separate application is required for each credit or debit card.)

### DOCUMENTATION REQUIRED

3 Attach all of the following:

- Copy of the billing statement;
- Copy of the credit or debit card; and
- Copy of a payment made to the issuing bank.

### ADDITIONAL BILLING INFORMATION

4 Will any person other than the sales tax exempt governmental entity or sales tax exempt organization be billed by the issuer of the card for any purchases made using the credit or debit cards identified on this application?

☐ YES ☐ NO If Yes, please explain \_\_\_\_\_

Under penalties of law, I declare that I have examined this application, and to the best of my knowledge and belief, it is correct and complete.

**sign  
here**

Signature of Owner, Partner, Member, Corporate Officer, or Other Person  
Authorized by Attached Power of Attorney

Date

( )  
Telephone Number

Title

Email Address

### FOR NEBRASKA DEPARTMENT OF REVENUE USE ONLY

☐ APPROVED

COMMENTS: \_\_\_\_\_

☐ DISAPPROVED

Exemption Code: \_\_\_\_\_

Authorized Signature

Date



## Exemption Permit For Use of Credit or Debit Cards

NAME AND LOCATION ADDRESS			NAME AND MAILING ADDRESS		
Name			Name		
Street Address			Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code

CREDIT OR DEBIT CARD IDENTIFICATION		
Issuing Bank	Type of Credit or Debit Card	Last Four Digits of the Credit or Debit Card
Effective Date of Exemption Permit	Expiration Date of the Exemption Permit (Expiration date of the credit or debit card)*	

\_\_\_\_\_ has provided the Nebraska Department of Revenue with documentation that the credit or debit card identified above is directly billed to, and paid by, the sales tax exempt governmental entity or sales tax exempt organization. To make sales and lodging tax exempt purchases using this credit or debit card, the exempt governmental entity or exempt organization must:

- Complete a Nebraska Resale or Exempt Sale Certificate, Form 13, section B;
- **Attach a copy** of this Exemption Permit to the Form 13; and
- Issue both documents to the seller at the time of purchase.

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# **When Nonprofits Make Sales (Plus Prepared Food)**

# When Nonprofits Make Sales

- Even if a nonprofit is exempt from paying sales tax on purchases, it becomes the retailer of the items it sells and must collect state and local sales taxes on those sales.
- A nonprofit making taxable sales must obtain a sales tax permit by completing a Nebraska Tax Application, [Form 20](#).

# Nonprofits and Charitable Organizations

Common questions the Department hears:

- When do I need to collect sales tax?
- I bought a table at a charitable event. Is the entire cost considered a donation?
- When do I owe use tax?


The Department has resources available to help determine proper taxation.

- PowerPoint presentation on the Department's website
  - [Nebraska Sales and Use Tax Nonprofit Organization 2015](#)
- Information Guides
  - [Nonprofit Organizations](#)

# When Nonprofits Make Sales

- The nonprofit may purchase items sales tax exempt that will be resold.
- The nonprofit will issue a [Form 13](#), Section A, to the seller in order to purchase items sales tax exempt for resale.

# Form 13, Section A

		<b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption		<b>Form 13</b>	
Name and Mailing Address of Purchaser			Name and Mailing Address of Seller		
Name			Name		
Legal Name					
Street Address (Do not use PO Box)			Street or Other Mailing Address		
City		State	City		State
		Zip Code			Zip Code
Check Type of Certificate					
<input type="checkbox"/> Single Purchase		If single purchase is checked, enter the related invoice or purchase order number			
<input type="checkbox"/> Blanket		If blanket is checked, this certificate is valid until revoked in writing by the purchaser.			
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:					
<b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A.) <input type="checkbox"/> Exempt Purchase (Complete Section B.) <input type="checkbox"/> Contractor (Complete Section C.)					

## Section A—Nebraska Resale Certificate

Description of Property or Service Purchased

I hereby certify that the purchase, lease, or rental of \_\_\_\_\_ from the seller listed above is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business. The property or service will be resold either in the form or condition in which it was purchased, or as an ingredient or component part of other property or service to be resold.

I further certify that we are engaged in business as a: ☐ Wholesaler ☐ Retailer ☐ Manufacturer ☐ Lessor

of \_\_\_\_\_

My Nebraska Sales Tax Permit Number is 01-\_\_\_\_\_.

If none, state the reason \_\_\_\_\_.

or Foreign State Sales Tax Number \_\_\_\_\_ State \_\_\_\_\_.

For more detailed information, refer to the [Form 13 instructions](#).

# **Sales Made by Nonprofits May Include:**

- **Admissions** (charges for the right to have access to, or use a place where amusement, entertainment, or recreation is provided)
- **Auctions** (live and silent)
- **Car shows**
- **Car washes**
- **Dances**
- **Fireworks**
- **Fundraising Events**
- **Garage sales**
- **Golf outings**
- **Prepared food**
- **Sports leagues**



## **When Items are Sold at Fundraising Events:**

- Separately state the fair market value if a donation was included;
- Collect Nebraska and local sales taxes on the fair market value; and
- If not stated separately, collect sales tax on the total amount.

## Example

- A nonprofit organization holds a fundraising banquet in Scottsbluff.
- The total price of a ticket to this event is \$250.
- The fair market value of the meal is \$50.

See the difference in the amount of sales tax due depending on how the ticket price is stated:

**A**

Meal	\$ 50.00
Donation	\$196.50
Sales Tax (Scottsbluff 7%)	<u>\$ 3.50</u>
Total	\$250.00

**B**

Ticket	\$250.00
Sales Tax (Scottsbluff 7%)	<u>\$ 17.50</u>
Total	\$267.50

## More Info on Prepared Food

A. Prepared food is generally taxable to the purchaser:

- Awards banquets
- Employee meals
- Charity benefits
- Suggested donations

B. Prepared food is generally nontaxable when provided to:

- School and university students as part of their housing package
- Students living in dorms or fraternities as part of their housing package
- Residents of retirement facilities where meals are part of the housing package
- Residents of assisted living facilities
- Senior centers (accepting SNAP coupons)

## More Info on Prepared Food

C. Prepared food served by a religious organization is nontaxable when:

- The prepared food is sold at a function of the organization held primarily for its members;  
or
- The sales of the prepared food is used as the one tax exempt event that is open to the general public annually.

For more information, see [Reg-1-083](#) – Food Service, and [Reg-1-087.05A](#) – Prepared Foods.

**Note:** These regulations are currently being updated. Statutory language is not being used.

# Exceptions

Only schools, school organizations, and religious organizations may make certain sales 'sales tax exempt.'

Refer to:

[Nebraska Taxation of Nonprofit Organizations information guide;](#)  
[Sales and Use Tax Responsibilities of Elementary and Secondary Schools,](#)  
[Parent-Booster Clubs, Parent-Teacher Associations,](#)  
[and Student Organizations;](#)  
and Sales and Use Tax Regulations  
[1-091 – Religious Organizations,](#) and [1-092 – Educational Institutions](#)  
for additional information.

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# **Legislative Changes on Admissions**

# Sales and Use Tax Exemption for Youth Sports

- Entry fees or other amounts charged by political subdivisions or IRC § 501(c)(3) organizations to participate in sports events, sports leagues, or competitive educational activities that are restricted to those participants who are less than 19 years old.

[LB 727](#), Operative Date: July 1, 2012

# **Sales and Use Tax Exemption for Statewide Sports Events**

- Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that conduct statewide sports events with multiple sports for both adults and youth.

# **Sales and Use Tax Exemption for Youth Development Organizations**

- Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that are affiliated with a national organization that are primarily dedicated to youth development and healthy living, and offers sports instruction or sports events in multiple sports.

[LB 727](#), Operative Date: July 1, 2012



# Coin-Operated Machines

# Vending Machine Sales are Taxable

- All items sold from the machine, including food and beverages, are taxable.
- Sales tax is included in the price.
- Owner needs only one sales tax permit for all machines, even though they may be at different locations.

For more information,  
see [Reg-1-031](#)— Coin-Operated Machines.

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# Gift Baskets

- If the fair market value (FMV) of food or food ingredients in the basket is greater than the FMV of the taxable items, the gift basket is nontaxable.
- If the FMV of the taxable items is greater, the gift basket is taxable.

Basket (itself)	\$ 4.00	(T)
Cheese	+ 2.35	(E)
Crackers	+ 2.50	(E)
Wine	<u>+14.50</u>	(T)
Subtotal	23.35	
Tax (7% x \$23.35)	<u>+ 1.63</u>	
Total	\$ 24.98	

Since the total of the taxable items (\$18.50) is higher than those that are nontaxable (\$4.85), the whole basket is subject to sales tax when it is sold to the customer.

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# **Construction Contracts with Exempt Entities**

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# Contractor Database

The Nebraska Contractor Registration Act requires contractors and subcontractors doing business in Nebraska to register with the Nebraska Department of Labor.

- Every construction contractor making payment to a subcontractor must withhold 5%;
- Unless the subcontractor is registered in the Department of Labor's Contractor Registration Database.



- A single definition of “contractor” is used for purposes of the Contractor Registration Act and construction contractor withholding. (This definition is slightly different than the sales and use tax definition of a contractor.)
- A centralized registration system is used for construction contractors.
- The Department of Labor administers the [Contractor Database](#).



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File an Appeal  
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### Contractors

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Renew Registration  
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Contractors  
Pay Fees



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Schedule a Boiler  
or Elevator Inspection  
or OSHA Consultation

Register a New  
Contractor

Affidavit for Fee  
Exemption

Contractors With  
Outstanding Unpaid  
Citations

Renew a Contractor  
Registration

File New Project  
Permit(s)

Search Registered  
Contractors

Contractor Home  
Page

Be sure to get a  
Purchasing Agent Appointment and  
Delegation of Authority for  
Sales and Use Tax, [Form 17](#).

**Form 17 supports why tax was not paid or collected on  
building materials and fixtures  
for construction projects for exempt entities.**

# Option 1 Prime Contractors

- Receive [Form 17](#) and [Form 13](#) from project owner Prior to the start of the project.
- Complete the Delegation of Prime Contractor's Authority portion of the [Form 17](#).
- Complete a [Form 13](#) and provide it with a copy of the [Form 17](#) to Option 1 subcontractors.
- Provide copies of the [Form 17](#) to any Option 2 or 3 subcontractors on the project so they can buy building materials and fixtures sales tax exempt.

## Option 2 and 3 Prime Contractors

- Complete a [Form 13](#) and provide it with a copy of the [Form 17](#) to Option 1 subcontractors.
- Provide copies of the [Form 17](#) to any Option 2 or 3 subcontractors on the project so they can buy building materials and fixtures sales tax exempt.

# Form 17



## Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax

FORM  
17

PURCHASING AGENT APPOINTMENT	
Name and Address of Prime Contractor	Name and Address of Governmental Unit or Exempt Organization
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code
Name and Location of Project	Appointment Information
Name	Effective Date (see Instructions)
Street or Other Mailing Address	Expiration Date
City State Zip Code	Nebraska Exemption Number (Exempt Organizations Only)
Identify Project	

The undersigned governmental unit or exempt organization appoints the above-named contractor and the contractor's delegated subcontractors as its agent to purchase and pay for building materials that will be annexed to real estate by them into the tax exempt construction project stated above.

sign  
here

Authorized Signature of Governmental Unit or Exempt Organization

Title

Date

DELEGATION OF PRIME CONTRACTOR'S AUTHORITY	
Name and Address of Subcontractor	Delegation Information
Name	Effective Date
Street or Other Mailing Address	Expiration Date
City State Zip Code	Portion of Project

The undersigned prime contractor hereby delegates authority to act as the purchasing agent of the named governmental unit or exempt organization to the above-named subcontractor.

sign  
here

Signature of Prime Contractor or Authorized Representative

Title

Date

## Option 1 Subcontractors

- Purchase building materials and fixtures sales tax exempt by giving [Form 13](#), section c, block 1 to their Nebraska suppliers.
- Do not collect sales tax on items when they obtain a properly completed [Form 17](#) and [Form 13](#) prior to the start of the project.



## Option 2 Subcontractors

- Purchase building materials and fixtures sales tax exempt by giving –
  - A copy of Form 17  
and
  - [Form 13](#), Section C, Block 2 to their Nebraska suppliers.

## Option 3 Subcontractors

- Purchase building materials and fixtures sales tax exempt by giving [Form 13](#), Section C, Block 1 to their Nebraska suppliers.
- Do not collect sales tax on items when they obtain a properly completed [Form 17](#) and [Form 13](#) prior to the start of the project.

- Only building materials and fixtures that become annexed to real estate may be purchased sales tax exempt.
- Contractors must pay sales or use tax on all purchases or rentals of equipment, tools, and taxable services used to complete the project.

# Refunds of Sales and Use Taxes Paid on Exempt Projects

- If a [Form 17](#) is issued to the contractor prior to the contractor annexing building materials, the contractor can request a refund.
- If a [Form 17](#) is not issued to the contractor in a timely manner, only the project owner can request a refund.
- The following are not allowed a refund:
  - Nebraska State Colleges
  - State of Nebraska
  - United States Government
  - University of Nebraska

## **Routine, On-call Repairs for Exempt Entities**

Contractors who are on-call for exempt entities may obtain a [Form 17](#) for routine, on-call repairs.

- There must be a written agreement.
- One year period of time only.

# Overview of Nebraska's Lottery and Raffle Laws

Deb Weber, Gaming Policy Analyst

[deb.weber@nebraska.gov](mailto:deb.weber@nebraska.gov)

[revenue.nebraska.gov/gaming](http://revenue.nebraska.gov/gaming)

# Are We Conducting a Lottery or Raffle?

A lottery is  
gambling where:

- Participants agree to pay something of value for an opportunity to win.
- Winning opportunities are represented by tickets that are sequentially numbered.
- Winners are determined by a random drawing of tickets or by a race of inanimate buoyant objects.

**Lottery = Cash Prizes**

A raffle is  
gambling where:

- [The same 3 bullets, plus...]
- At least 80% of the value of all the prizes to be awarded is in merchandise which is not directly or indirectly redeemable for cash

**Raffle = Merchandise Prizes**

# Why is this Distinction Important?

**The licensing threshold for a lottery is lower than for a raffle.**

## Lottery

License is required with gross proceeds  $>$  \$1,000.

## Raffle

License is required with gross proceeds  $>$  \$5,000.

- Gross proceeds are the total receipts from the conduct of the lottery or raffle, without any deduction for prizes, discounts, taxes, or expenses.
- Includes receipts from required purchase or admission costs to the extent that this purchase or admission constitutes a chance in the lottery or raffle.
- Includes the value of any free tickets.



# Eligibility

## Licensed Lottery or Raffle (over \$1,000 or \$5,000)

- Nebraska nonprofit organization or nonprofit corporation exempt under IRC § 501 or a volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad
- Must be organized or incorporated in Nebraska, and conduct activities other than lotteries and raffles
- Have at least 10 members in good standing
- Membership is defined by the organization, in its articles of incorporation and/or bylaws

## Small/Unlicensed Lottery or Raffle (less than \$1,000 or \$5,000)

- Nebraska nonprofit organization or nonprofit corporation exempt under IRC § 501 or
- Whose major activities, exclusive of conducting any lottery or raffle, are conducted for charitable or community betterment purposes
- Must have its principal office located in Nebraska, and conduct a majority of its activities in Nebraska

# General Requirements

## Licensed Lottery or Raffle (over \$1,000 or \$5,000)

- Prize payout of at least 65%\*
- 10% expense limitation\*
- Must be 18 to participate\*
- Separate bank account used only for lottery/raffle proceeds
- 2% tax on gross proceeds
- Quarterly and Annual Reports required
- Sell sequentially-numbered tickets with the organization's name, state ID, cost per ticket, and date of drawing
- Determine winners by random drawing or race of inanimate buoyant objects

## Small/Unlicensed Lottery or Raffle (less than \$1,000 or \$5,000)

- No minimum prize payout requirement
- No expense limitation
- No age restrictions
- No separate bank account
- No taxes
- No reporting requirements
- Sell sequentially-numbered tickets
- Determine winners by random drawing or race of inanimate buoyant objects
- Other Limitations
  - Only one lottery per calendar month
  - Unlimited number of raffles, **but** combined gross proceeds cannot exceed \$5,000 per calendar month

\* Can be waived with Special Permit

# Federal and State Tax Requirements

- IRS Form W-2G, Statement of Gambling Winnings
  - Required for certain winnings - refer to IRS Publication 3079
  - If the amount paid reduced by the amount of the wager is \$600 or more, and at least 300 times the amount of the wager
- Withholding
  - Federal withholding at the rate of 25% is required if value of prize is more than \$5,000
  - Nebraska withholding is required at the rate of 5%
  - Use fair market value for noncash payments

**IRS Hotline 866-455-7438**

## Licenses Required

**Lotteries  $\geq$  \$1,000      or      Raffles  $\geq$  \$5,000**

- Organization Lottery/Raffle License - \$30 (biennial)
- Utilization of Funds Member - \$40 (biennial)
  - Must be an active and bona fide member of the organization for at least one year (hardship waiver upon written request)
  - Citizenship attestation form required of new license applicants
- Optional Special Permit - \$10
  - Waives the 65% payout requirement, 10% expense limitation, and age restriction
  - One permit per year, valid for up to 90 days
- Local Licensing May Be Required
  - Authorization by ordinance or resolution – Lincoln/Omaha, Lancaster/Douglas counties

# Other Charitable Gaming

When is a license required?

- Bingo
  - If a charge is made to play, or any prize awarded exceeds \$25 in value, either a Bingo License or Special Event Bingo Permit is required.
- Pickle Cards
  - A license is always required.

# Use of Gross Proceeds

## All Lotteries and Raffles

- Prizes
- Expenses
- Taxes (if applicable)
- License fees (if applicable)
- Lawful purpose
- Charitable or community betterment purposes
  - Includes - Charitable, benevolent, humane, religious, philanthropic, recreational, social, educational, civic, or fraternal activities conducted by the organization for the benefit of its members
  - Not Permitted - Lobbying and political campaigns expenses or contributions



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**Taxpayer assistance**

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**[revenue.nebraska.gov](http://revenue.nebraska.gov)**

**Thank you!**